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**U.S. CHARGES MAN IN SCHEME TO ILLEGALLY OBTAIN FUNDS FOR
DOWNTOWN RESIDENCE IN WAKE OF SEPTEMBER 11 TERROR ATTACKS**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced that ALLAN KLEIN was charged today with theft of government money and mail fraud in connection with a scheme to defraud the Lower Manhattan Development Corporation ("LMDC") and the U.S. Department of Housing and Urban Development ("HUD") of federal grant money made available after the September 11, 2001, terrorist attacks to assist in the revitalization of Lower Manhattan.

A two-count criminal Complaint, unsealed today in Manhattan federal court, charged that KLEIN devised a scheme to fraudulently obtain money from a grant program established by LMDC to retain and attract residents to Lower Manhattan. As the Complaint explains, the LMDC was created by the State and City of New York after the terrorist attacks to coordinate the rebuilding and revitalization of Lower Manhattan, defined as the area south of Houston Street. To further this goal, the LMDC received HUD

grant money to fund the Two-Year Commitment-Based Grant program, which provides money to eligible individuals who make a two-year commitment to live in one of two designated zones in Lower Manhattan.

According to the Complaint, on September 19, 2002, KLEIN filled out and submitted an application to the LMDC to obtain money under the Two-Year Commitment-Based Grant and submitted a copy of his lease for 71 Broadway, Apartment 9F, which showed that it was for the two-year period of May 15, 2002, to May 31, 2004. It is alleged that, in this application and according to the terms of the grant, KLEIN certified that he currently lived and intended to live at 71 Broadway in lower Manhattan for two years. The Complaint alleges that LMDC later approved KLEIN's application, which made KLEIN eligible to receive \$500 a month in grant money over the two-year period he promised to live at 71 Broadway.

Nonetheless, the Complaint alleges that by December 2002 KLEIN had moved out of his apartment at 71 Broadway. At that time, the management company for 71 Broadway became aware that KLEIN no longer lived in Apartment 9F and had improperly sublet the apartment. The management company moved to formally evict KLEIN from Apartment 9F and on May 2, 2003, obtained a decision and judgment of possession in favor of the landlord. The LMDC subsequently received an application from another person, who is not KLEIN, for a Two-Year Commitment-Based Grant based on residency at 71 Broadway, Apartment 9F. The application

materials LMDC received indicate that the current resident of Apartment 9F lives in that apartment pursuant to a three-year lease that began on May 31, 2003.

The Complaint alleges that, although KLEIN vacated his residence at 71 Broadway, KLEIN continued to seek to obtain money under the LMDC's Two-Year Commitment-Based Grant by falsely representing that he was still residing at 71 Broadway.

According to the Complaint, KLEIN repeatedly stated falsely to the LMDC that his address was 71 Broadway, and sought to receive grant money based upon that representation. On July 15, 2003, KLEIN went to an LMDC office in Lower Manhattan to discuss an initial \$5,000 grant payment. At that meeting, KLEIN again falsely represented that he lived at 71 Broadway, and presented documents which purported to show that he still lived at 71 Broadway, despite his eviction from that apartment and the lease to a new tenant that began on May 31, 2003.

If convicted, KLEIN faces a maximum penalty of 10 years in prison on the theft of govt money count and 20 years for mail fraud. Both charges also carry a maximum fine of \$250,000 or twice the gross gain or loss resulting from the crime.

Mr. COMEY praised the investigative efforts and cooperation of the LMDC, the Office of the Inspector General for HUD and the United States Postal Inspection Service.

Assistant United States Attorney JOAN A. LOUGHNANE is in charge of the prosecution.

The charges in the Complaint are merely accusations, and the defendant is presumed to be innocent unless and until proven guilty.

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